



# GENERAL ASSEMBLY

## COMMONWEALTH OF KENTUCKY

### 2013 REGULAR SESSION

---

HOUSE BILL NO. 49

---

FRIDAY, FEBRUARY 15, 2013

---

The following bill was reported to the Senate from the House and ordered to be printed.

RECEIVED AND FILED  
DATE March 19, 2013  
7:23 pm

---

ALISON L UNDERGAN GRIMES  
SECRETARY OF STATE  
COMMONWEALTH OF KENTUCKY  
BY R. Adler

1 AN ACT relating to the Kentucky Higher Education Student Loan Corporation  
2 educational loan program.

3 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

4 → Section 1. KRS 164A.240 is amended to read as follows:

5 (1) (a) As used in this section, the term "eligible borrower" means a student, a former  
6 student, or the parent of a dependent student or former student, who  
7 demonstrates an intention and capacity to repay an educational loan and meets  
8 the loan criteria established by the promulgation of administrative regulations  
9 by the corporation.

10 (b) Notwithstanding KRS 164A.020, with respect to any educational loan made or  
11 financed under this section, and any bonds or notes of the corporation to  
12 finance educational loans under this section, as used in KRS 164A.010 to  
13 164A.240, the term:

14 1. "Disposable pay" means the amount remaining of a borrower's  
15 employment earnings after the deduction of all amounts withheld as  
16 required by law.

17 2. "Eligible institution" shall be deemed to include any educational  
18 institution approved by the corporation;

19 3.~~[2.]~~ "Eligible lender" shall be deemed to include any financial institution  
20 approved by the corporation; and

21 4.~~[3.]~~ "Insured student loan" or "student loan" shall be deemed to include any  
22 educational loan.

23 (2) (a) In addition to the authority granted by KRS 164A.010 to 164A.240, the  
24 corporation is authorized to:

25 1. Establish, finance, and operate educational loan programs deemed  
26 necessary by the Kentucky Higher Education Assistance Authority to  
27 make or cause to be made educational loans to meet the financial needs

1 of eligible borrowers;[and]

2 2. Exercise any of its powers with respect to educational loans pursuant to  
3 KRS 164A.010 to KRS 164A.240; and

4 3. Establish an administrative garnishment process for the collection of  
5 defaulted educational loans and promulgate regulations pursuant to  
6 KRS Chapter 13A pertaining to the process. The process shall begin  
7 no sooner than one hundred eighty (180) days after the borrower fails  
8 to make payments on the debt that has been due and owing. The  
9 process shall limit garnishment to no more than ten percent (10%) of  
10 the disposable pay of the defaulted borrower and ensure that the  
11 borrower's due process rights are protected.

12 (b) The corporation may, in connection with the program, enter into agreements  
13 with loan servicing organizations, guarantors, insurers, financial institutions,  
14 eligible lenders, and eligible institutions. The educational loan programs may  
15 provide for either the making of educational loans to eligible institutions and  
16 the relending to eligible borrowers or the making and purchasing of  
17 educational loans by the corporation.

18 (3) The corporation may promulgate administrative regulations to implement the  
19 provisions of KRS 164A.010 to 164A.240.

20 (4) The corporation may finance the educational loan programs through the issuance of  
21 its bonds or notes subject to the provisions set forth in KRS 164A.010 to 164A.240,  
22 except that KRS 164A.080(3) shall not apply to any loans and KRS 164A.160 shall  
23 not apply to any bonds or notes issued to fund loans authorized in this section. The  
24 proceeds of the bonds or notes used for the educational loan programs may be  
25 commingled with the proceeds of bonds or notes financing insured student loans as  
26 defined by KRS 164A.020. The bonds or notes issued under the provisions of this  
27 subsection shall be special and limited obligations, payable solely and only from the

1 receipts pledged and shall not constitute an indebtedness or liability of the  
2 Commonwealth or a pledge of the faith and credit of the Commonwealth.

3 (5) The corporation may establish reserve funds or replacement funds in connection  
4 with the issuance of bonds and notes for educational loan purposes as determined to  
5 be necessary by the board to enable the corporation to accomplish its proper public  
6 purposes.

7 (6) (a) The maximum annual loan amount shall not exceed:

- 8 1. The costs incurred by the eligible borrower related to attendance less  
9 other financial aid, as certified by the eligible institution;
- 10 2. The repayment amount of loans to fund the borrower's cost; or
- 11 3. A lesser amount established by the board.

12 (b) The loan proceeds shall be used by the eligible borrower solely for these  
13 purposes.

14 (7) The corporation may issue taxable bonds or notes for the financing of any program  
15 authorized by this chapter.

16 (8) The Kentucky Higher Education Assistance Authority shall provide the services as  
17 the corporation may require to efficiently carry out the purposes of this section.

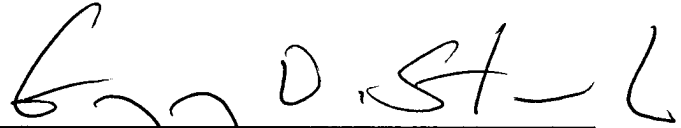
18 (9) A person under the age of eighteen (18) years shall be deemed to have full capacity  
19 to act and shall have all rights, powers, privileges, and obligations of a person of  
20 full age for the purpose of applying for, receiving, and repaying educational loans  
21 authorized pursuant to this section. Notwithstanding any other statute to the  
22 contrary, a repayment obligation imposed by this section shall not be voidable by  
23 reason of the age of the recipient at the time of receiving the educational loan.

24 (10) The corporation shall establish the interest rates and other terms and conditions for  
25 educational loans in a manner that it determines is financially sound. No provision  
26 of any other law of the Commonwealth of Kentucky that limits the rate or amount  
27 of interest payable on a loan shall apply to an educational loan authorized by this

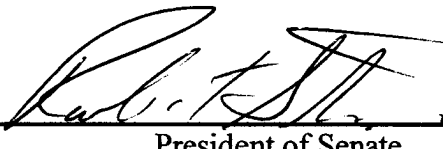
1           section.

2       (11) A loan made pursuant to this section shall be governed by Kentucky law.

3       (12) KRS 164.772, KRS 164.774, and KRS 131.565 are applicable to loans made  
4           pursuant to this section.

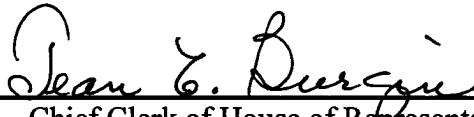


Speaker-House of Representatives



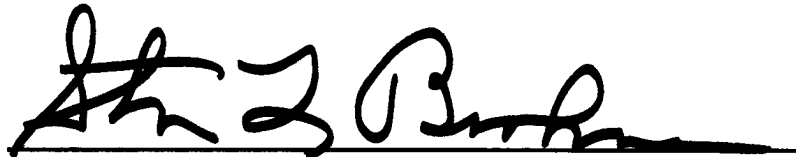
President of Senate

Attest:



Chief Clerk of House of Representatives

Approved



Governor

Date

3-19-13